

**PACT RULES**  
**(Adopted May 22, 2013)**

**SECTION 1**  
**DEFINITIONS**

Additional definitions and a list of Administrative Fees are available in the Disclosure Statement.

**1.00 “Actuarial Assessment”** means a contract amount assessed to compensate the Trust Fund for a change from the Extended Payment Plan to the 5-Year Payment Plan and is the difference between the future values of the PACT Contract payments of each plan.

**1.01 “Adjustment Rate”** means an increase in Tuition and Qualified Fees as approved at the discretion of the Board based upon the actuarial projections of its professional advisors. If approved, such rate shall be determined annually prior to the commencement of the Fall semester or equivalent term and applied to the amount of Tuition and Qualified Fees paid by the PACT Program for the Fall semester or term of the prior academic year.

**1.02 “Class Action Settlement Agreement”** means the agreement signed May 4, 2011, and upheld May 7, 2013, between the PACT class members (defined as all PACT Purchasers and Beneficiaries) and the Board for the purpose of establishing a baseline monetary amount to be paid as Tuition and Qualified Fees under PACT Contracts, with Contract Purchasers and Beneficiaries assuming responsibility for the payment of tuition and fees above the specified amount.

**1.03 “Contract – “Four-Year University”** - means PACT benefits for the payment of Alabama instate public undergraduate Tuition of up to 128 semester hours, or 135 semester hours for contracts purchased prior to 2006, and payment of Qualified Fees for up to eight (8) registration periods at all Eligible Educational Institutions.

**1.04 “Contract – “One-Year ”** – means PACT benefits for the payment of Alabama instate public undergraduate Tuition of up to 32 semester hours and payment of Qualified Fees for up to two (2) registration periods at all Eligible Educational Institutions.

**1.05 “Current Tuition Value for the Four-Year Universities”** means the weighted average (by resident headcount) of basic instate Tuition and Qualified Fees at the Alabama “Four-Year Universities as certified for the Fall 2010 semester and incorporated into the Class Action Settlement Agreement, plus any increases by the Adjustment Rate as approved from time to time.

**1.06 “Four-Year Universities”** means Alabama regionally accredited public postsecondary educational institutions offering credit that leads to, at a minimum, a baccalaureate degree.

**1.07 “Matriculation”** means the process of enrolling and attending an Eligible Educational Institution.

**1.08 “Qualified Fees”** means the Fall 2010 qualified fees certified by each respective Alabama public Eligible Educational Institution as incorporated into the Class Action Settlement Agreement, plus any increases by the Adjustment Rate that might be approved from time to time.

**1.09 “Redemption Value”** means the sum of PACT Contract payments made, less any Administrative Fees and benefits paid, as of the date of cancellation.

**1.10 “Substitute Beneficiary”** means an Immediate Family Member of the Beneficiary named by the Contract Purchaser to receive, in place of the originally named Beneficiary, the benefits provided under the PACT Contract.

**1.11 “Successor Account Owner”** means an individual named by the Contract Purchaser who meets the requirements to be a Purchaser and becomes the owner of the PACT Contract upon the death of the Contract Purchaser.

**1.12 “Tuition”** means the Fall 2010 basic undergraduate tuition (on a per-hour basis) certified by each respective Alabama public Eligible Educational Institution as incorporated into the Class Action Settlement Agreement, plus any increases by the Adjustment Rate that might be approved from time to time.

## **SECTION 2** **ENROLLMENT**

**2.00 PACT Enrollment Period** - Enrollment in PACT is closed permanently and no new applications will be accepted.

**2.01 Application** – A completed and signed application submitted by a Contract Purchaser during an enrollment period.

**2.02 Participation and Payment Schedule** - The Participation and Payment Schedule outlines the payment plan selected by the Purchaser on the original Application and the Projected College Entrance Date of the original Beneficiary.

**2.03 Projected College Entrance Date** – At the time of application, the Beneficiary’s Projected College Entrance Date corresponds to the Beneficiary’s current age and/or grade as provided on the Application. A written request should be submitted to change the Projected College Entrance Date.

## **SECTION 3** **THE PACT CONTRACT**

**3.00 General** - The PACT Contract shall consist of the completed application signed by the Contract Purchaser, the Participation and Payment Schedule, and the Disclosure Statement and Rules.

**3.01 Contract Benefits** – Benefits are purchased for a Four-Year University Contract or a One-Year Contract.

**3.02 Contract Benefits Period**- Benefits under a PACT Contract may be received for the number of Tuition hours and Qualified Fee registration periods purchased on behalf of the Beneficiary, OR until the award of a baccalaureate degree to the Beneficiary, OR for ten (10) years after the Projected College Entrance Date of the original Beneficiary, whichever occurs first.

**3.03 Contract Term Expiration** - If a PACT Contract has a Redemption Value ten (10) years from the Projected College Entrance Date of the original Beneficiary, or from the actual college entrance date for an accelerated student, reasonable effort will be made to locate the Purchaser. If the Purchaser cannot be located, the Redemption Value will be transferred to the Unclaimed Property Division of the State Treasurer's Office according to Code of Alabama, Title 35, Chapter 12. The ten year period will be extended per year of active military service by the Beneficiary.

**3.04 Contract Revisions by Purchaser** -All requests by Purchasers for a revision of the PACT Contract provisions, such as change in payment schedule or purchaser, must be submitted in writing and must be accompanied by the applicable administrative fee. A list of these fees is available in the Disclosure Statement or at [www.800alapact.com](http://www.800alapact.com). Forms for PACT Contract revisions are available on line or by request from PACT.

**3.05 Contract Conversions** - Conversions between One-Year and Four-Year PACT contracts are not permitted.

**3.06 Contract Prices**- PACT Contract prices do not include the application processing fee, but do include a nonrefundable account maintenance fee. After a Purchaser has entered into a PACT Contract, the PACT Contract price will not change, unless otherwise specified herein.

## **SECTION 4**

### **PACT CONTRACT PAYMENTS**

**4.00 PACT Contract Payments**- PACT Contract payments are based on the age/grade of the Beneficiary. Monthly payments are calculated based on an implied rate of interest and include a monthly account maintenance fee.

PACT Contract payment schedules are as follows:

- (a) A lump sum payment due in full on February 1; or
- (b) Monthly payments over a period of sixty (60) months. The payments shall begin on February 1 and will continue on a monthly basis thereafter until the PACT Contract is fully paid. The amount of the monthly payment is specified in the Participation and Payment Schedule. The sixty (60) month payment option is not available for Beneficiaries who are in the eighth (8th) or ninth (9th) grade; or
- (c) Extended monthly payments begin on February 1 and continue on a monthly basis until May of the Projected College Entrance Date of the Beneficiary. The amount of the monthly payment is specified in the Participation and Payment Schedule.

**4.01 Change in PACT Contract Payment Schedule**- The Purchaser may request a change in payment schedule. A fee will be charged. Additional amounts may be due when changing from the extended to the five-year monthly plan.

**4.02 PACT Contract Payment Grace Period** – All PACT Contract payments are due on the first day of the month and are delinquent after the 15<sup>th</sup> day of the month. A late fee is assessed for all delinquent payments.

**4.03 PACT Contract Payment Methods**- The following payment methods are available to the Purchaser:

- (1) Payment by coupon book;

- (2) Automatic deduction from a bank account; or
- (3) Payroll deduction if offered by employer.

**4.04 Early Payoff-** Purchasers electing a monthly payment plan may pay off the plan early without penalty.

**4.05 Advance Payments –** The Purchaser can make payments larger than the specified payment amount or more frequently than monthly.

## **SECTION 5**

### **PACT CONTRACT BENEFITS**

**5.00 Contract Benefits –** The number of undergraduate Tuition and Qualified Fee benefits will be based on the contract purchased.

**5.01 Non Traditional Studies -** If the Beneficiary takes nontraditional courses, including, but not limited to, on-line studies, distance learning, study abroad, Internet/Web classes, independent study, or off campus study, tuition payment will be made based on the Tuition amount, not to exceed the actual cost of tuition. Payment for qualified fees will be made based on the Qualified Fee amount as defined herein.

**5.02 Payment of Benefits - Alabama Public Eligible Educational Institutions –** The Purchaser or Beneficiary must inform the Eligible Educational Institution that PACT Contract benefits are available. Payment will be made directly to the Eligible Educational Institution based on the Tuition and Qualified Fee amounts as defined herein. The Tuition payment will not exceed the actual cost of tuition.

**5.03 Payment of Benefits - Alabama Independent/Private, an Out-of-State or Foreign Eligible Educational Institution-** The Purchaser or Beneficiary must inform the Eligible Educational Institution that PACT Contract benefits are available. Payment will be made directly to the Eligible Educational Institution based on the Current Tuition Value for the Four Year Universities. The tuition payment will not exceed the actual cost of tuition. A processing fee is deducted by PACT from the amount paid each term.

Payment of PACT Contract benefits to these institutions will be made only when all of the following have occurred:

- (1) The Purchaser or Beneficiary has provided information to PACT on the Eligible Educational Institution the Beneficiary will attend no less than sixty (60) days in advance of the first academic term for which PACT Contract benefits are to be paid; and
- (2) PACT has received a valid invoice from the Beneficiary's Eligible Educational Institution after the end of the official drop/add period; and
- (3) For foreign institutions, the Eligible Educational Institution must agree to accept payment in United States currency.

**5.04 Payment of Benefits - Multiple Contracts –** For multiple contracts for the same Beneficiary:

- (1) Benefits will be paid from each contract in the order the contracts were received and processed by PACT.
- (2) Each contract must be depleted of tuition hours before the next contract can be used.

**5.05 Advancement of PACT Contract Benefits.** – PACT Contract benefits can be used up to three (3) years in advance of the Projected College Entrance Date of the original Beneficiary. However, the ten year period for the use of benefits will commence on the advanced Projected College Entrance Date. The Purchaser should provide written notice 60 days in advance and the PACT Contract must be paid in full.

If the Beneficiary advances in school after the PACT Contract is purchased or elects to take college courses while attending high school, there will be no adjustment in the PACT Contract payment schedule and no additional payment will be required.

**5.06 Identification for Beneficiaries-** A list of Beneficiaries is made available to the Eligible Educational Institutions in the State of Alabama.

**5.07 Payment of Benefits/No Adjustment-** Any tuition credit hours paid on behalf of a Beneficiary reduce the remaining available credit hours under the PACT Contract, even if the credit hours are not counted toward a college degree. Once an invoice has been paid, there will be no adjustment to the Beneficiary's account unless an error was made by the Eligible Educational Institution.

**5.08 Payment of Backdated Invoices** – The Purchaser is responsible for instructing the Eligible Educational Institution to invoice PACT on behalf of the Beneficiary. PACT will not pay previous invoices submitted for payment more than a year from the date of the term when the benefits were received. Previous invoices will be paid at the Tuition and Qualified Fee rates as defined herein.

**5.09 Scholarship** – If the Beneficiary receives a scholarship, the Purchaser may:

- (1) Instruct the institution to invoice PACT for Tuition/Qualified Fees;
- (2) Transfer the benefits to a Substitute Beneficiary; or
- (3) Cancel the PACT Contract. The cancellation fee will be waived.

## **SECTION 6**

### **PACT CONTRACT PURCHASER/OWNERSHIP**

**6.00 Purchaser Eligibility** -The Purchaser of a PACT Contract may be a natural person, a corporation, a trust, or a charitable organization. The Purchaser, if a natural person, must be nineteen (19) years of age or older, or must be represented by a court appointed conservator or guardian, or a trustee, or a designated custodian under the provisions of Title 26-2-20, Code of Alabama, 1975, (as last amended).

**6.01 Purchaser's Rights** – The following are rights reserved strictly for the Purchaser:

- (1) Voluntary cancellation of the PACT Contract;
- (2) Right to any refund;
- (3) Right to request revisions to the PACT Contract;
- (4) Right to restrict the use of PACT Contract benefits;
- (5) On-line access to the PACT account(s) information.

**6.02 Number of Purchasers per PACT Contract-** Only one (1) individual or entity may be named on each PACT application and in the PACT Contract as the Purchaser. Joint purchasers are not permitted. However, a Successor Account Owner may be designated by the Purchaser.

**6.03 Transfer of PACT Contract Ownership-** All requests to transfer ownership of the PACT Contract to another qualified Purchaser must be submitted on the official form. If the current Purchaser has died, proof of death and a copy of the section from the will evidencing the

authority to make the change or Letters Testamentary or Letters of Administration must accompany the request. A fee is charged for this service and is waived for death of the Purchaser.

**6.04 Successor Account Owner** – If a Successor Account Owner is named on the account, the transfer of ownership will occur when a copy of the death certificate of the Purchaser is received. A form to name a Successor Account Owner can be requested from PACT or obtained on line and no fee is required. The Successor must meet the eligibility requirements for a Purchaser.

**6.05 On Line Access to PACT Accounts** – The Purchaser is the only authorized person who can request on line access to a PACT Account. A password is provided to the Purchaser for access and it is the sole responsibility of the Purchaser to keep it secure and confidential. PACT accepts changes to an account in writing signed by the Purchaser, or electronic changes and forms submitted online from the Purchaser through the authorized PACT website where the identity of the Purchaser is ascertainable through the authorized password or other methods established by PACT.

## **SECTION 7** **BENEFICIARY**

**7.00 Beneficiary Eligibility**-The original Beneficiary met the following requirements:

- (1) Had not completed the ninth (9th) grade as of the first day of the PACT enrollment period; and
- (2) Had been born at the time the application was submitted or was born no later than August 31 following the enrollment period, and
- (3) Was a U.S. citizen, a permanent resident alien, or a dependent of a U.S. citizen or of a permanent resident alien.

**7.01 Beneficiary Substitutions**-The benefits of a PACT Contract may be transferred to an eligible Substitute Beneficiary once during the life of the Contract. A fee is charged for this service, and is waived for death of the Beneficiary. All requests for a beneficiary substitution must be submitted on the official form which is available at [www.800alapact.com](http://www.800alapact.com).

To qualify, the Substitute Beneficiary must meet all of the following requirements:

- (1) Must be born; and
- (2) Must be an Immediate Family Member of the original Beneficiary; and
- (3) Must assume the same ten year period for the use of PACT Contract benefits as the original Beneficiary.

Furthermore, if the original Beneficiary has utilized PACT Contract benefits, the following additional requirement applies:

- (4) There must be at least thirty two (32) semester hours of tuition remaining.

If the substitution occurs before the Projected College Entrance Date of the Beneficiary and the Substitute Beneficiary is older than the original Beneficiary, an Actuarial Assessment will be assessed. In the event of a Beneficiary substitution to a younger Beneficiary, monies previously paid to PACT will not be refunded.

**7.02 Use of Benefits** - No benefits will be paid for the Substitute Beneficiary prior to the date of the substitution.

**7.03 Beneficiary** – The Beneficiary is the only individual eligible to receive PACT Contract benefits.

## **SECTION 8**

### **CANCELLATION/REINSTATEMENT**

**8.00 Voluntary PACT Contract Cancellation** –The Purchaser can request cancellation of a PACT Contract at any time by providing a signed written request.

**8.01 Involuntary PACT Contract Cancellation** – A PACT Contract will be automatically cancelled and a refund issued if PACT Contract payments are 6 months (180 days) in default or if no payment is received within 45 days of the first payment due date.

**8.02 Reinstatement of a PACT Contract** - A PACT Contract can not be reinstated after cancellation.

## **SECTION 9**

### **REFUNDS/OVERPAYMENTS**

**9.00 General** - Refunds will be paid to the Purchaser.

**9.01 Refund Amount** –PACT Contract refund amounts will be the Redemption Value of the PACT Contract.

**9.02 No Refund** - If the Beneficiary achieves a baccalaureate degree in fewer than the maximum number of credit hours provided under a PACT Contract, a refund will not be available.

**9.03 Refund in the Event of Death or Disability, Receipt of a Full or Partial Scholarship or Admittance to a Military Academy** - In any of these events, the Cancellation Fee will be waived.

**9.04 Refunds for PACT Contract Purchased Prior to 1996** - For PACT Contracts purchased prior to 1996, cancellation based on death/disability of the Beneficiary, or Matriculation in a Military Academy or foreign institution, will result in a refund as defined in the Rules of the year the PACT Contract was purchased. The refund is the contract purchase amount with the Weighted Average Tuition rate applied from the date of purchase to the cancellation as calculated by the Board's professional actuary.

**9.05 Refund Resulting from Overpayment** – Once a PACT Contract is paid in full, any overpayment will be refunded to the Purchaser.

**9.06 Rollover** – To rollover a PACT Contract to another Qualified Tuition Program, the Purchaser may submit a written request for cancellation of the PACT Contract. A refund check will be issued to the Purchaser. The cancellation letter from PACT may serve as documentation for the transfer to another Qualified Tuition Program.

## **SECTION 10**

### **SPECIAL PETITION**

**10.00 General**- Any aggrieved Contract Purchaser desiring to petition for relief from the Rules may do so by submitting a written petition to the Board. The Advisory Council of the Board, upon recommendation from Legal Counsel, will render decisions on behalf of the Board. The response to the petition will be in writing within ninety (90) days of receipt.

**10.01 – Requirements** - The following information is required in the petition:

- (1) The name and address of the Contract Purchaser and Beneficiary;
- (2) The specific nature of the relief requested and the specific Rule;
- (3) The PACT Contract account number(s) in question;
- (4) The date and signature of the Contract Purchaser.

## **SECTION 11** **QUALIFIED ENTITIES**

**11.00 General-** For the purpose of these Rules, the term Entity shall mean any corporation, trust, charitable organization, or any other business or organization which is not a natural person.

**11.01 Application of the Rules** - Unless specifically exempted herein, all Rules pertaining to Contract Purchasers and Beneficiaries apply.

**11.02 Naming the Beneficiary-**A Beneficiary must be named not less than six (6) months prior to the Projected College Entrance Date on the application.